

Message Text

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PAGE 01 SEOUL 05528 230430Z

21 R
ACTION EA-10

INFO OCT-01 ISO-00 /011 W
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R 230345Z JUL 75
FM AMEMBASSY SEOUL
TO SECSTATE WASHDC 1601

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E.O. 11652: N/A
TAGS: EIND KS
SUBJECT: KOREA INSURANCE INDUSTRY - U.S. FIRMS' PARTICIPATION

REF: SEOUL 4619, SEOUL 4620, STATE 145597

1. IN CONNECTION WITH RECENT EFFORTS BY AIU TO ENTER LOCAL INSURANCE MARKET, THE ROKG PROPOSED ARRANGEMENT UNACCEPTABLE TO AIU. AS COUNTER-PROPOSAL AIU IS PREPARING APPLICATION FOR JOINT VENTURE WITH WHASHIN COMPANY. AIU WOULD HAVE 49 PERCENT EQUITY BUT WITH MANAGEMENT CONTROL PROVISIO.

2. EMBASSY HAS COPY OF LETTER DATED JULY 11 FROM PARK UN HOE TO AIU CHAIRMAN GREENBERG. PARK IS REPRESENTATIVE FOR 13 KOREAN INSURANCE FIRMS PROPOSED AS JOINT VENTURE PARTNERS. PARK'S LETTER SETS FORTH ROKG POLICY POSITION WITH REGARD TO FOREIGN ENTRY INTO KOREAN INSURANCE MARKET, INCLUDING THE EXCLUSION OF THE WRITING OF LIFE INSURANCE FROM ANY JOINT VENTURE. THE LETTER ALSO MAKES CLEAR THAT THE ROKG IS ALREADY AWARE OF AIU'S INTENTION TO PROPOSE A JOINT VENTURE WITH WHASHIN.

3. FINANCE MINISTER ON JULY 19 INFORMED THE ECON COUNSELOR THAT THE ROKG FINDS IT POLITICALLY IMPOSSIBLE TO ADMIT ANY KOREAN COMPANY AS JOINT VENTURE PARTNER WHICH IS NOT NOW IN INSURANCE BUSINESS, E.G. WHASHIN. MOF KIM REQUESTED THAT AIU BE ADVISED NOT TO SUBMIT ITS APPLICATION SINCE IT WILL BE REJECETED AND WILL CAUSE EMBARRASSMENT TO ALL PARTIES INVOLVED. FOLLOWING THIS REJECTION, IT WOULD BE DIFFICULT
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FOR THE ROKG TO CARRY ON ANY ADDITIONAL DIALOGUE WITH AIU.

KIM ALSO STATED ROKG WOULD WELCOME VISIT BY SENIOR AIU OFFICIAL AUTHORIZED TO NEGOTIATE MUTUALLY SATISFACTORY JOINT VENTURE AGREEMENT. IN THIS REGARD KIM SAID ROKG WAS PREPARED TO ENTER INTO AGREEMENT WHICH WOULD GUARANTEE AIU FULL MANAGEMENT CONTROL.

4. REQUEST THE DEPARTMENT RELAY INFORMATION PARA 3 ABOVE TO AIU CHAIRMAN GREENBERG OR AIU PRESIDENT FREEMAN. EMBASSY AGREES THAT SUBMISSION OF AIU PROPOSAL AT THIS TIME WOULD BE COUNTER-PRODUCTIVE GIVEN PRESENT ROKG POSITION VIS-A-VIS ENTRY OF FOREIGN INSURANCE INTERESTS.

5. FYI: SIMEON PARK OF WASHIN APPROACHED COMMERCIAL COUNSELOR WITH REQUEST THAT AMBASSADOR SNEIDER WRITE TO GREENBERG INFORMING HIM THAT IF AIU INCLUDE IN ITS APPLICATION FOR THE JOINT VENTURE WITH WASHIN ASSURANCES THAT AIU WILL MAKE SUBSTANTIAL INVESTMENTS IN OTHER FIELDS OF ENDEAVOR OR THAT AIU IS PREPARED TO EXTEND LOAN ASSISTANCE (AMOUNT MENTIONED WAS \$200 MILLION) TO PRIVATE ENTERPRISES, ROKG APPROVAL OF JOINT VENTURE WOULD BE ASSURED. WASHIN REP STATED THAT AIU AWARE OF THIS SUGGESTION BUT BELIEVES THAT THE AMBASSADOR'S ENDORSEMENT WOULD BE MORE MEANINGFUL. OBVIOUSLY, THIS REQUEST WAS TURNED DOWN FOR VARIETY OF REASONS, NOT THE LEAST OF WHICH IS THAT THE EMBASSY DOES NOT WISH TO BE A PARTY TO "BLACK-MAIL" WHETHER SUGGESTION ORIGINATED WITH ROKG OR WASHIN.

6. ADVISE GREENBERG AND FREEMAN THAT AMBASSADOR WOULD BE PREPARED DISCUSS ABOVE WITH THEM DURING FORTHCOMING CONSULTATIONS.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: INSURANCE, JOINT VENTURES, BUSINESS FIRMS, NEGOTIATIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 23 JUL 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: johnsorg
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975SEOUL05528
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750253-0911
From: SEOUL
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750729/aaaaazxl.tel
Line Count: 92
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 SEOUL 4619, 75 SEOUL 4620, 75 STATE 145597
Review Action: RELEASED, APPROVED
Review Authority: johnsorg
Review Comment: n/a
Review Content Flags:
Review Date: 16 JUL 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <16 JUL 2003 by CunninFX>; APPROVED <18 NOV 2003 by johnsorg>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: KOREA INSURANCE INDUSTRY - U.S. FIRMS' PARTICIPATION
TAGS: EIND, KS, US, AIU, WHASHIN COMPANY, (FREEMAN, HOUGHTON), (GREENBERG, MAURICE), (PARK, SIMEON)
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006